

REPORT OF THE COMMITTEE ON BUDGET

Voting Members:

Ann H. Kobayashi, Chair; Joey Manahan, Vice Chair;
Carol Fukunaga, Trevor Ozawa, Kymberly Marcos Pine

Committee Meeting Held
May 18, 2016

Honorable Ernest Y. Martin
Chair, City Council
City and County of Honolulu

Mr. Chair:

Your Committee on Budget, which considered Resolution 16-122 entitled:

"RESOLUTION AUTHORIZING THE DIRECTOR OF THE DEPARTMENT OF BUDGET AND FISCAL SERVICES (BFS) TO ENTER INTO AN INTERGOVERNMENTAL AGREEMENT WITH THE STATE OF HAWAII EMPLOYEES' RETIREMENT SYSTEM (ERS) TO FUND ITS PROPORTIONATE SHARE OF ACTUARIAL VALUATION SERVICES,"

transmitted by Communication D-312, dated April 29, 2016, from the BFS, reports as follows:

The purpose of the Resolution is to authorize the Director of Budget and Fiscal Services to enter into an intergovernmental agreement with the State of Hawaii ERS to fund its proportionate share of actuarial valuation services.

The Director of Budget and Fiscal Services testified in support of the Resolution stating that the Government Accounting Standards Board (GASB) now requires the City provide actuarial report for the City's portion of the State of Hawaii Employees' Retirement System (ERS).

No public testimony was presented or received on this Resolution.

CITY COUNCIL

CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

ADOPTED ON

JUN 01 2016

COMMITTEE REPORT NO.

179

REPORT OF THE COMMITTEE ON BUDGET

Voting Members:

Ann H. Kobayashi, Chair; Joey Manahan, Vice Chair;
Carol Fukunaga, Trevor Ozawa, Kymberly Marcos Pine

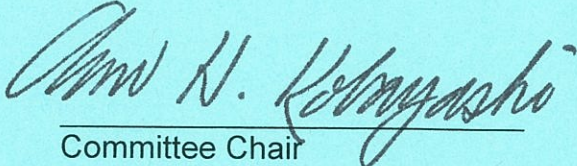
Committee Meeting Held
May 18, 2016
Page 2

Your Committee considered and approved a hand-carried proposed CD1 version of the Resolution that makes the following amendments:

- A. Adds a BE IT FURTHER RESOLVED to state that the agreement with the Hawaii Employees Retirement System is consented to and approved; and
- B. Makes miscellaneous technical and nonsubstantive amendments.

Your Committee on Budget is in accord with the intent and purpose of Resolution 16-122, as amended herein, and recommends its adoption in the form attached hereto as Resolution 16-122, CD1 (Ayes: Kobayashi, Fukunaga, Manahan, Ozawa, Pine – 5; Noes: None.)

Respectfully submitted,


Committee Chair

RECEIVED
CITY CLERK
CITY OF HONOLULU
JUN 15 2016 2:36 PM

CITY COUNCIL

CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

ADOPTED ON JUN 01 2016

COMMITTEE REPORT NO. 179

SUMMARY OF PROPOSED COMMITTEE DRAFT:

Resolution 16-122

AUTHORIZING THE DIRECTOR OF THE DEPARTMENT OF BUDGET AND FISCAL SERVICES (BFS) TO ENTER INTO AN INTERGOVERNMENTAL AGREEMENT WITH THE STATE OF HAWAII EMPLOYEES' RETIREMENT SYSTEM (ERS) TO FUND ITS PROPORTIONATE SHARE OF ACTUARIAL VALUATION SERVICES.

The PROPOSED CD1 makes the following amendments:

- A. Adds a BE IT FURTHER RESOLVED to state that the agreement with the Hawaii Employees Retirement System is consented to and approved; and
- B. Makes miscellaneous technical and nonsubstantive amendments.



RESOLUTION

AUTHORIZING THE DIRECTOR OF BUDGET AND FISCAL SERVICES (BFS) TO ENTER INTO AN INTERGOVERNMENTAL AGREEMENT WITH THE STATE OF HAWAII EMPLOYEES' RETIREMENT SYSTEM (ERS) TO FUND ITS PROPORTIONATE SHARE OF ACTUARIAL VALUATION SERVICES.

WHEREAS, Chapter 1, Article 8, Revised Ordinances of Honolulu 1990, as amended, requires that any intergovernmental agreement or amendment thereto which places as obligation to the City or any department or agency thereof, receive the prior consent and approval of the Council of the City and County of Honolulu; and

WHEREAS, substantially all eligible employees of the City are members of ERS, a multiple-employer defined benefit pension plan; and

WHEREAS, Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, requires an actuarial valuation of the total pension liability at least every two years; and

WHEREAS, ERS has elected to perform actuarial valuations annually; and

WHEREAS, implementation of GASB Statements are essential for the City's independent auditors to consider issuing an unqualified or "clean" audit opinion that the City's financial statements present its financial position fairly; and

WHEREAS, an unqualified or "clean" audit opinion is crucial to maintaining a favorable bond rating; now, therefore,

BE IT RESOLVED by the Council of the City and County of Honolulu that the Director of Budget and Fiscal Services is hereby authorized to enter into an intergovernmental agreement with the State of Hawaii Employees' Retirement System in substantially the form attached hereto as Exhibit A for the implementation of the pension statements of the Governmental Accounting Standards Board; and

BE IT FURTHER RESOLVED that the agreement with the Hawaii Employees Retirement System is hereby consented to and approved; and



RESOLUTION

BE IT FINALLY RESOLVED by the Council of the City and County of Honolulu that the Clerk is hereby directed to transmit a certified copy of this Resolution to the Director of the Department of Budget and Fiscal Services, 530 South King Street, Room 208, Honolulu, Hawaii 96813.

INTRODUCED BY:

Ernest Martin (br)

DATE OF INTRODUCTION:

May 4, 2016
Honolulu, Hawaii

Councilmembers

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding ("MOU") is effective the _____ day of _____, 2016, by and between the EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII ("ERS") and the CITY AND COUNTY OF HONOLULU, 530 South King Street, Room 208, Honolulu, HI 96813 ("Employer").

RECITALS

A. The following state or county government employers (the "employers") have requested assistance from the ERS in obtaining actuarial information to meet reporting requirements under Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" the employers' financial statements for the fiscal year ending June 30, 2016 (FYE 2016):

- i. State of Hawaii;
- ii. City and County of Honolulu;
- iii. County of Maui;
- iv. County of Kauai;
- v. County of Hawaii;
- vi. Board of Water Supply, City and County of Honolulu;
- vii. Department of Water Supply, County of Hawaii;
- viii. Department of Water, County of Kauai;
- ix. Honolulu Authority for Rapid Transportation; and
- x. University of Hawaii.

B. The ERS is willing to obtain the information ("GASB 68 Report") for the employers from the ERS's actuary, Gabriel, Roeder, Smith & Company ("GRS");

C. GRS is willing to provide GASB 68 Reports to the employers for a total of \$15,000.00, provided that GRS is able to bill the ERS for all of the GASB 68 Reports. The total fee of \$15,000.00 will be divided equally among all of the employers listed above who enter into a MOU with the ERS to obtain their GASB 68 from GRS through the ERS.

D. Because of concerns arising from federal tax-qualification requirements applicable to the ERS, the ERS is unable to advance the fees for the GASB 68 Reports.

E. GRS has agreed that it will not require the ERS to pay for the GASB 68 Report(s) until the ERS has received payment from the employers who receive a GASB 68 Report from GRS.

F. The purpose of this MOU is to provide for payment by the Employer for the GASB 68 Report provided to it by GRS.

TERMS AND CONDITIONS

1. Upon execution of this MOU, the ERS will request GRS to prepare a GASB 68 Report for Employer as provided in the letter attached to this MOU as Exhibit "A" and incorporated herein by reference.

2. The cost to Employer for the GASB 68 Report will be \$1,500.00; provided that all of the employers listed above enter into a MOU with the ERS to obtain their GASB 68 Report from GRS through the ERS. If all of the employers listed above do not enter into an MOU with the ERS to obtain their GASB 68 report from GRS through the ERS, the cost to Employer for the GASB 68 Report will be equal to: \$15,000/number of participating employers. In addition, if Employer requests additional services or information beyond what GRS understands to be customary or reasonable for a GASB 68 Report, the cost for the Employer may be higher.

3. Upon execution of this MOU, Employer will pay ERS \$1,500.00 for remittance to GRS for the GASB 68 Report. If all of the employers do not enter into an MOU with the ERS to obtain their GASB 68 report from GRS through the ERS, the ERS will bill Employer for the difference between \$1,500.00 and the cost of the GASB 68 Report as determined pursuant to paragraph 2 (the "additional cost"). The ERS will bill Employer for any additional services or information requested by Employer after the ERS receives the bill from GRS for such additional services or information. Employer will pay ERS within thirty days from receipt of the bill from the ERS for any additional cost or for any additional services or information. Upon receipt of payment from Employer, the ERS will promptly remit the payment to GRS.

4. Employer reports covered payroll to the ERS on a consolidated basis with the Honolulu Authority for Rapid Transportation (the "Agency"). Employer acknowledges that ERS and GRS require a breakdown of the covered payroll between Employer and Agency in order to allocate pension liability between Employer and Agency. Employer will therefore provide to ERS and GRS a breakdown, between Employer and Agency, of the covered payroll reported to the ERS on a consolidated basis for FYE 2016. The breakdown provided by Employer to the ERS and GRS must reconcile with the consolidated covered payroll reported by Employer to the ERS for the applicable period.

5. This MOU may be amended or modified only by a written agreement signed by both parties.

IN WITNESS WHEREOF, the parties have executed this MOU as of the last date written below.

EMPLOYEES' RETIREMENT SYSTEM
OF THE STATE OF HAWAII

EMPLOYER:
CITY AND COUNTY OF HONOLULU

By _____
Thomas Williams
Executive Director

By _____

DATE: _____

DATE: _____

APPROVED AS TO FORM:

APPROVED AS TO FORM:

Deputy Attorney General
State of Hawaii
